

VZCZCXRO1741
PP RUEHROV
DE RUEHAC #0256/01 1091159
ZNY CCCCC ZZH
P 181159Z APR 08
FM AMEMBASSY ASUNCION
TO RUEHC/SECSTATE WASHDC PRIORITY 6822
INFO RUCNMR/MERCOSUR COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0090
RUEHMD/AMEMBASSY MADRID 0135
RUEHROV/AMEMBASSY VATICAN
RUEHBS/USEU BRUSSELS
RUEHIN/AIT TAIPEI 0105

C O N F I D E N T I A L SECTION 01 OF 02 ASUNCION 000256

SIPDIS

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WHA/BSC MDRUCKER, BFRIEDMAN, KBEAMER; CA/VO CBODEK, TSMITH;
INL/LP DIANNE GRAHAM, ASMITH; ECA/PE/V/R/W METIENNE

E.O. 12958: DECL: 04/16/2027

TAGS: [PREL](#) [CASC](#) [ECON](#) [SNAR](#) [PGOV](#) [PA](#)

SUBJECT: PRESIDENTIAL CANDIDATES DEFINE THEIR FOREIGN
POLICY POSITIONS

REF: A. ASUNCION 163
[B](#). ASUNCION 199
[C](#). 07 ASUNCION 940
[D](#). ASUNCION 106
[E](#). ASUNCION 178
[F](#). ASUNCION 196
[G](#). ASUNCION 228

Classified By: DCM Michael J. Fitzpatrick for reasons 1.4 (b) and (d).

[11.](#) (C) SUMMARY: Paraguay's four major presidential candidates express interest in expanding and strengthening regional relations. They offer differing views on engaging or disengaging with hemispheric actors, including the United States and Venezuela. Fernando Lugo and Blanca Ovelar express interest in renegotiating the terms of the Itaipu and Yacyreta dam treaties with Brazil and Argentina. Pedro Fadul and Lugo suggest exploring relations with the People's Republic of China (PRC/vice Taiwan); all pledge to reform the Paraguayan Foreign Ministry. All four candidates indicate a desire to maintain good relations with the United States, with General Oviedo seeming to do all he can to wrap himself in the Stars and Stripes. END SUMMARY.

[12.](#) (C) All four of Paraguay's presidential candidates (Patriotic Alliance for Change's Fernando Lugo, Colorado Blanca Ovelar, National Union of Ethical Citizens' Lino Oviedo, and Beloved Fatherland Party's Pedro Fadul) express interest during the campaign in expanding regional relations.

In recent weeks, Lugo, Oviedo, and Ovelar made well-publicized trips to Buenos Aires and Brasilia for meetings and photo ops with Argentine President Cristina Fernandez Kirchner and Brazilian President Luiz Inacio Lula da Silva. Ovelar, Lugo, and Fadul announced their support for strengthening Mercosur and promoting regional integration. Ovelar favors continuing President Duarte's efforts to increase Paraguay's trade with Mercosur members. Lugo envisions a more equitable Mercosur (ref A). While Fadul expresses interest in working more closely with Brazil and Argentina, he singled out Uruguay for a possible special partnership with Paraguay (ref B).

[13.](#) (C) Each candidate offers differing views on relations with hemispheric actors, including the United States and Venezuela. Oviedo repeatedly expresses interest in strengthening ties with the United States (ref C and D) and seeks closer ties with Brazil and Argentina; he also pledges to marginalize Venezuela and Bolivia. Lugo advocates prioritizing relations with countries where substantial numbers of Paraguayan expatriates reside, including

Argentina, Spain, and the United States; he affirmed that he also supports strengthening relations with Venezuela, Ecuador, and Cuba. Fadul suggests signing trade agreements with major partners such as the United States and the European Union (ref B). Ovelar affirmed March 18 to the Ambassador that she wants to deepen relations with the United States (ref E); she also referenced relations with Venezuela, Cuba and Ecuador in the April 3 CNN debate.

¶4. (C) Lugo and Ovelar express interest in renegotiating the terms of the Itaipu and Yacyreta dam treaties with Brazil and Argentina. Ovelar stated she would support a dam study that could form the basis of a treaty renegotiation with Brazil (ref F). (NOTE: Ovelar secured assurances from Argentine President Cristina Fernandez Kirchner April 1 that she would work to ensure the Yacyreta Dam treaty is equitable. END NOTE.) Lugo has repeatedly stated that he favors renegotiating the dam treaties with Argentina and Brazil (ref A); his lightning-rod statements elicited a strong "no" from Brazil. Fadul stated that he would focus on increasing Paraguay's ability to use its share of Itaipu's output instead of selling its deeply discounted surplus electricity to Brazil (ref B). Oviedo has vacillated on renegotiating the treaties. He previously suggested that he favored renegotiating but now states that he favors reforming the National Electricity Administration (ANDE) and the Itaipu and Yacyreta binational enterprises in lieu of renegotiating the treaties; and said that "serious countries" keep their international obligations.

¶5. (C) The candidates' positions on relations with Republic of China (Taiwan) versus the PRC differ sharply. Colorado presidential candidate Blanca Ovelar stated that she favors

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maintaining diplomatic relations with Taiwan. (NOTE: The Taiwanese donated over USD 25 million to Paraguay -- much of it in cash -- during President Duarte's term. END NOTE.) Lugo stated that he would explore the possibility of recognizing the PRC if it would bring economic benefits to Paraguay. Fadul said he supported extending diplomatic relations to the PRC and ending Paraguay's "culture of begging" for donations from Taiwan (ref B). Oviedo has not revealed his position on recognizing the PRC. (NOTE: The Taiwanese have a considerable political and business presence in Paraguay, and the Taiwanese government frequently engages in "dollar diplomacy." In exchange, Paraguay continues officially to recognize Taiwan, including supporting Taiwan's entrance into the United Nations. END NOTE.)

¶6. (C) All four candidates stated they would reform the Foreign Ministry. Ovelar pledged training in commerce to all diplomats so they could promote Paraguayan exports; she would also introduce metrics to measure trade results and remove embassy staff who did not meet their targets (ref F). Lugo stated that he would introduce a plan to fully restructure the Foreign Ministry. Oviedo would "professionalize" the diplomatic corps and reduce political influence in the Foreign Ministry. Fadul said that he would refocus the Foreign Ministry on "selling" Paraguay and reduce internal political influence.

¶7. (C) COMMENTS: All four candidates have indicated a desire to maintain good relations with the United States. A Lugo victory could lead to stronger Paraguayan ties with Venezuela, Bolivia, Ecuador, and Cuba -- but not necessarily to the exclusion of close relations with the United States. The Liberal Party, the dominant force in Lugo's alliance, will push him hard to stay close to us, and should be a moderating force on Lugo's foreign policy.

¶8. (C) An Ovelar win could result in a continuation of President Duarte's efforts to increase cooperation with Venezuela and others (ref G), but the clear signals from her innermost circle to date indicate she recognizes the importance of close relations with the United States and will

work hard to maintain them. Ovelar insiders report that she is "very pleased" with Embassy offers of assistance should she win April 20. (NOTE: Ambassador told all of the candidates they have been extended the same offer of support, starting with the Millennium Challenge Corporation Threshold Program's Plan Umbral II. END NOTE.)

19. (C) Of the three leading candidates, Oviedo is the most interested in close U.S. relations, making repeated overtures for meetings with the Embassy and inquiries about when he could travel to the United States (in order to restore his democratic credentials). In fact, his campaign spread stories April 16 that Oviedo had to urgently visit to Washington for meetings -- possibly with President Bush or the visiting Pope -- on the eve of the elections. (NOTE: Oviedo does not have a valid U.S. visa. He was denied P2C in 1996 after his coup attempt. END NOTE.) Oviedo, the most politically savvy of all the candidates, has declared himself "anti-Chavez" in order to ingratiate himself with the United States. END COMMENTS.

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